RBF Weekly Market Commentary
July 21, 2014

The Markets

Events of the last week could have been plot elements in a Tom Clancy novel. Tragically, they were real and ratcheted geopolitical tensions higher around the globe.

On Wednesday, the United States toughened sanctions against Russia. *Bloomberg.com* reported the new sanctions prevent specific Russian companies from "…accessing U.S. equity or debt markets for new financing with maturities longer than 90 days. They don't otherwise prohibit U.S. companies or individuals from doing business with the Russian firms." The European Union also introduced new sanctions although theirs were more modest than those of the United States. Russian bond and stock markets tumbled on the news.

Soon after, *The Washington Post* reported the new sanctions were likely to have a more profound affect on Russia. "While earlier sanctions, primarily against individuals, have been largely brushed off as an inconvenience by their Russian targets, the new round appeared designed to cause significant blows to the Russian economy and fundamentally alter its global financial relationships."

On Thursday, an international commercial airliner carrying hundreds of passengers was shot down over Ukraine by a surface-to-air missile. No one has acknowledged responsibility; however, Ukrainian officials labeled the event an act of terrorism as it happened in an area of Eastern Ukraine plagued by violence associated with a pro-Russia separatist uprising. When this commentary was written, it remained uncertain whether the crash was an act of aggression or a tragic accident.

Understandably, investors took the news poorly and fled to 'safer' investments. The Standard & Poor's 500 Index lost 1.2 percent for the day – its biggest one-day drop since April. Ten-year U.S. Treasury yields also dropped and the rate on Germany's 10-year bond closed at a record low. Stock market losses also reflected Israel's ground offensive in Gaza.

American markets rebounded on Friday although geopolitical tensions continued to shadow economic and earnings news.

Data as of 7/18/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.5%	7.0%	17.1%	14.9%	15.8%	6.0%
10-year Treasury Note (Yield Only)	2.5	NA	2.5	2.9	3.6	4.4
Gold (per ounce)	-2.1	8.8	1.9	-6.5	6.5	12.4
Bloomberg Commodity Index	-0.7	2.8	-0.2	-7.6	1.2	-1.3
DJ Equity All REIT Total Return Index	1.3	18.6	9.6	12.1	23.3	9.5

S&P 500, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

AS YOU'RE PLUNKING BAIT, LOLLING ON THE BEACH, OR PADDLING A STREAM, let your thoughts turn to… taxes. Sure, it's a lot easier not to think about taxes until you have to, but by then it's usually too late to do anything that might make a difference. Late summer, when your blood pressure is nice and low, is the perfect time to decide whether you need to take any steps to prepare for this year's taxes. Consider *Forbes'* assessment of top tax brackets for 2014 before you stop reading:

Single taxpayers earning:
- Over $36,900 up to $89,350 may owe $5,081.25 plus 25 percent of the excess over $36,900
- Over $89,350 up to $186,350 may owe $18,193.75 plus 28 percent of the excess over $89,350
- Over $186,350 up to $405,100 may owe $45,353.75 plus 33 percent of the excess over $186,350
- Over $405,100 up to $406,750 may owe $117,541.25 plus 35 percent of the excess over $405,100
- Over $406,750 may owe $118,118.75 plus 39.6 percent of the excess over $406,750

Married taxpayers filing jointly and earning:
- Over $73,800 up to $148,850 may owe $10,162.50 plus 25 percent of the excess over $73,800
- Over $148,850 up to $226,850 may owe $28,925 plus 28 percent of the excess over $148,850
- Over $226,850 up to $405,100 may owe $50,765 plus 33 percent of the excess over $226,850
- Over $405,100 up to $457,600 may owe $109,587.50 plus 35 percent of the excess over $405,100
- Over $457,600 may owe $127,962.5 plus 39.6 percent of the excess over $457,600

Apologies if your blood pressure just jumped higher. Take a deep breath and decide whether these tips, offered by *The Fiscal Times,* can help.

1. **Manage your taxable income effectively.** It may be possible to reduce your taxable income by deferring it, making contributions to pre-tax investments (like retirement accounts), and making gifts of income producing investments or cash to family members.
2. **Generate investment losses.** Selling depreciated assets can help generate losses and losses may offset capital gains.
3. **Accelerate income if you are subject to the alternative minimum tax (AMT).** *Forbes* offered additional insight to this suggestion. "While a taxpayer's regular taxable income is subject to graduated rates with a low of 10 percent and a high of 39.6 percent, AMT income is taxed at a flat 28 percent rate… And where I come from, 28 percent is less than 39.6 percent. And it's this variance that gives rise to an often-overlooked planning opportunity."

None of the above is intended as tax advice. It's food for thought. Before you do anything, talk with a tax professional about your financial situation.

Weekly Focus – Think About It

"A closed mouth catches no flies."

--Miguel de Cervantes, Spanish novelist

Best regards,

Tony Kalinowski

Securities offered through Triad Advisors, Inc., Members FINRA/SIPC.

* This newsletter was prepared by Peak Advisor Alliance. Peak Advisor Alliance is not affiliated with the named broker/dealer.
* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
*Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.
* Stock investing involves risk including loss of principal.

Sources:
http://www.bloomberg.com/news/2014-07-17/putin-sanctions-pummel-markets-as-recession-looms-russia-credit.html
http://www.washingtonpost.com/world/national-security/us-to-expand-sanctions-against-russia/2014/07/16/a4a008a8-0d21-11e4-b8e5-d0de80767fc2_story.html
http://www.nytimes.com/2014/07/18/world/europe/malaysian-airlines-plane-ukraine.html
http://www.bloomberg.com/news/2014-07-16/u-s-futures-drop-after-dow-record-as-oil-extends-advance.html
http://www.reuters.com/article/2014/07/18/us-markets-stocks-idUSKBN0FN1B620140718
http://www.forbes.com/sites/kellyphillipserb/2013/10/31/irs-announces-2014-tax-brackets-standard-deduction-amounts-and-more/
http://www.thefiscaltimes.com/Articles/2014/07/15/4-Mid-Year-Tax-Tips-Could-Save-You-Big-Bucks
http://www.forbes.com/sites/anthonynitti/2013/03/11/contrarian-tax-planning-increasing-income-to-take-advantage-of-the-amt/2/
http://www.brainyquote.com/quotes/quotes/m/migueldece398208.html